DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FOLLOWING ADMINISTRATION
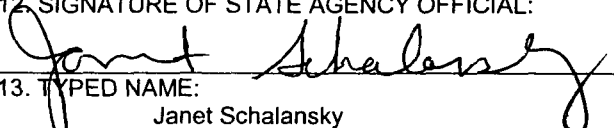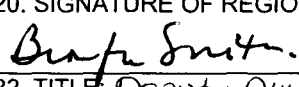
FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL HEALTHCARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: SPA #02-25	2. STATE: Kansas
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	

TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE January 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN   AMENDMENT TO BE CONSIDERED AS NEW PLAN   ■ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.252	7. FEDERAL BUDGET IMPACT a. FFY 2003 $ 3,010,000 $1,811 b. FFY 2004 $ 6,500,000 $3,345
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A Pages 8 & 20	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A Pages 8 & 20

10. SUBJECT OF AMENDMENT:

Methods & Standards for Estabishing Payment Rates - Inpatient Hospital Care

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

■ OTHER, AS SPECIFIED:
  Janet Schalansky is the Governor's
  Designee

12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO: Janet Schalansky, Secretary Social & Rehabilitation Services Docking State Office Building 915 SW Harrison, Room 651S Topeka, KS 66612-2210
13. TYPED NAME: Janet Schalansky	
14. TITLE: Secretary	
15. DATE SUBMITTED:	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: December 20, 2002	18. DATE APPROVED 01/01/2003

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: 1-1-03	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Thomas W. Lenz CHARLENE BROWN	22. TITLE: Deputy Director, CMSO ARA for Medicaid & State Operations

23. REMARKS: Pen and ink changes made in block # 7

SPA CONTROL

Date Submitted:
Date Received:

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

- claims with unusually low cost data for the given DRG, or other abnormal data.

2.4120   Claims Modified Before Including in the Data Base

Interim claims were identified and matched together to result in either a complete stay or a lengthy stay where no discharge had occurred.

2.4200   Determination of the Costs of Claims

The cost of each claim in the data base was determined using the cost data from the respective hospital's cost report, as discussed below.

2.4210   Cost Reports

The Department used the most recently available unaudited hospital cost reports to obtain the cost data for determining costs of claims.

2.4220   Cost Data

The cost data considered for computing costs of claims included education and capital costs. Indirect and direct medical education costs were later removed, however, as specified in Section 2.4240.

2.4230   Cost Determination

The reimbursable Medicaid/MediKan cost of each claim was computed by applying the per day rates (Worksheet D-1) and cost-to-charge ratios (Worksheet C) obtained from the corresponding hospital's cost report, to the covered Medicaid/MediKan days and ancillary charges on the claim.

2.4240   Hospital Specific Adjustments

Medical Education: Indirect and direct medical education costs identified in the cost reports were removed.

2.4250   Example to Illustrate Cost Determination

Data

- Medicaid days and charges from a claim (the first and third columns in the routine service table and the second column in the ancillary service table).

Methods and Standards for Establishing Payment Rates - Inpatient Hospital Care

2.4600   DRG Daily Rates

The Department computed DRG daily rates for all DRG classifications. These rates will be used for computing reimbursement in cases involving day outliers, transfers, and eligibility changes (see subsections 2.5300, 2.5400, and 2.5600).

2.4700   Hospital Specific Medicaid Cost to Charge Ratios

The Department established a cost to charge ratio of Medicaid utilization of inpatient services for each hospital. This ratio shows a comparison of Medicaid reimbursable costs of general hospital inpatient services with the corresponding covered charges.

Cost to charge ratios (CCR's) were calculated using the cost reports submitted by hospitals and charge data from the claims database used to compute the DRG weights and hospital group rates.

These ratios will be used in the DRG reimbursement system to estimate costs of claims for determining whether the claims meet the cost outlier criteria (subsection 2.5110), and also to compute payment for cost outliers (subsection 2.5310). Please note these ratios should not be confused with the cost to charge ratios of various ancillary service departments computed in hospital cost reports.

2.5000   Determination of Payment Under the DRG Reimbursement System

This section provides policies and methodologies for the determination of payment in various situations under the DRG reimbursement system.